

**TESTIMONY OF
Yale-New Haven Hospital
Submitted to the
FINANCE, REVENUE AND BONDING COMMITTEE
Monday, February 9, 2009**

**HB 6350, An Act Eliminating Exemptions from the Sales and Use Tax And
Lowering the Rate of Such Tax**

Yale-New Haven Hospital (YNHH) appreciates the opportunity to submit testimony **in opposition to HB 6350, An Act Eliminating Exemption From The Sales And Use Tax and Lowering The Rate Of Such Tax.**

HB 6350 seeks to eliminate most exemptions to the sales tax including those on patient care services and purchases made by health care providers. The elimination of the exemption for patient care services would significantly impact Yale-New Haven Hospital and hinder our ability to maintain our mission of providing high quality patient care, teaching, research and community service.

One of two academic medical centers in the State, Yale-New Haven Hospital (YNHH) is a 944-bed tertiary referral center which includes the 201-bed Yale-New Haven Children's Hospital and the 76-bed Yale-New Haven Psychiatric Hospital. The Smilow Cancer Hospital is currently under construction, and will begin a staged opening in the fall of 2009. Smilow will include an additional 146 beds to help meet the growing demand for cancer services. Yale-New Haven sought no state or federal aid for this important patient care facility investment.

As the primary teaching hospital for Yale University School of Medicine, Yale-New Haven's medical staff is enhanced by 618 supervised residents who add around-the-clock coverage, making YNHH the largest teaching hospital in Connecticut. Yale-New Haven Hospital operates three emergency departments (adult, children's and a Shoreline emergency department in Guilford). With nearly 122,000 visits in 2007, YNHH remains the State's largest emergency service provider and the only Level One trauma service provider for children and adults in the region. Yale-New Haven Hospital's full range of health care services is available 24 hours a day, 365 days a year.

Providing patients and our community with the finest quality healthcare services is the highest priority for Yale-New Haven Hospital. Like Yale-New Haven, all of Connecticut's not-for-profit hospitals fulfill a vital role in caring for Connecticut residents, and make enormous contributions to the health and quality of life for millions of Connecticut residents. **Connecticut hospitals generate nearly \$12.2 billion per year for the state and local economies** – about 6% of the Gross State Product; provide 70,000 jobs in our communities generating approximately \$6.5 billion in annual local economy payroll; and purchase goods and services generating approximately \$2.7 billion annually in local economic activity. Specifically, Yale-New Haven Hospital is New Haven's second largest employer with nearly 7500 employees, and is the State's largest teaching hospital and Medicaid provider. Additionally, Yale-New Haven Hospital has maintained a robust community investment program that includes a multi-year partnership with Gateway Community College to financially support its RN program.

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As health care costs continue to increase, and even with the significant investment the General Assembly made to improving hospital Medicaid reimbursement, the rate has not kept pace and falls far short of the cost of the care we provide. For Yale-New Haven, Medicaid reimbursement is nearly 62 cents on a dollar of cost. YNHH has the largest penetration of Medicaid discharges as a percentage of its total at 25%. Additionally, 44% of the children admitted to Yale-New Haven Children's Hospital are insured by the Medicaid program and account for 50% of the patient days. **Last year (hospital FY 2008), YNHH's total Medicaid under reimbursement was \$84.2 million and we experienced a nearly 20% increase in charity, free care and bad debt.**

Looking ahead, as patient demands increase and government reimbursement continues to lag behind cost, our ability to remain among the nation's "best" hospitals and our community's employer and provider of choice will be compromised. Imposing a new tax in these difficult times will cripple hospitals and likely impact Yale-New Haven's ability to continue investments in facility improvements, health information technology, and community health programs.

A five percent sales tax on net patient care revenue would cost Connecticut hospitals approximately \$363 million; the sales tax extension to purchases made by hospitals would cost another \$130 million. Diverting health care dollars to the General Fund will increase the cost of health care for everyone while doing nothing to help us meet the growing health needs of our community. **We respectfully ask that you oppose HB 6350** and help us to seek sustainable ways to finance the healthcare system already providing critical services to the people of Connecticut. Thank you for your consideration on this important policy matter.